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1873

THE REGULATION OF ALL RAILROADS THROUGH THE
STATE-OWNERSHIP OF ONE.

SPEECH

OF

CHARLES FRANCIS ADAMS, JR.

ON BEHALF OF THE

Mass. Board of Railroad-Commissioners,

MADE BEFORE THE

JOINT STANDING LEGISLATIVE COMMITTEE ON RAILWAYS,

FEBRUARY 14, 1873.



BOSTON :

JAMES R. OSGOOD AND COMPANY,

(LATE TICKNOR & FIELDS, AND FIELDS, OSGOOD, & Co.)

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IN BOARD OF RAILROAD-COMMISSIONERS,
Feb. 26, 1873.

VOTED, That the speech of Mr. ADAMS, delivered before the Joint Committee on Railways, Feb. 14, be printed, as the authorized expression of the views of this Board.

WM. A. CRAFTS, CLERK.

S P E E C H.

[THE attention of the Legislature was called, in the annual address of the Governor, to the approaching completion of the work on the Hoosac Tunnel, and the consequent necessity of some immediate action towards putting the railroads connecting with the tunnel in a condition to accommodate the expected traffic. Two petitions had been referred to the Committee, and measures framed in accordance with them submitted. The first, on behalf of the Vermont & Massachusetts railroad company, looking to a consolidation of all the roads constituting the Tunnel line ; the second on behalf of the Boston & Lowell and of the Fitchburg railroad companies, looking to the incorporation of the latter into the Great Northern consolidation. The Board of Railroad Commissioners had, in three consecutive annual reports, from 1871 to 1873, recommended the assumption of the Fitchburg road by the Commonwealth, with a view to the ultimate formation of a through railroad line from Boston to the Hudson River, owned by the State, and operated, through the medium of trustees, as a public road. On the eighth day of the hearing, Mr. Adams appeared and spoke as follows : —]

Mr. Chairman and Gentlemen of the Committee, — In compliance with your request, as expressed in a formal vote communicated to us, I am instructed by the Board of Railroad Commissioners to appear before you and publicly submit certain views in relation to the subject of state railroad ownership, as bearing upon the matter now before you ; which views that Board has arrived at after long and anxious deliberation.

And in the first place I desire to lay before you the following draught of a resolve, as a practical question for immediate consideration : —

Resolved, That the Governor and the Council be requested to ascertain and inform the Legislature, as soon as may be practicable, upon what terms, if any, the Commonwealth can purchase the rights, titles, property, and franchises of the Fitchburg, the Vermont & Massachusetts, and the Massachusetts Central railroad corporations; and further, to ascertain and report what legal measures it would be necessary or advisable to take, to enable the Commonwealth to assume possession, under any powers reserved to it by law, or under the right of eminent domain, of the roads, properties, and franchises aforesaid, with estimates as to what would be the probable cost to the Commonwealth of so doing.

Now, gentlemen, in presenting to you what I have to say, I shall try to confine myself very strictly to the matter in hand. I shall neither ask you to go back with me into the early records of American civilization, nor into any other branch of pre-historic inquiry. Neither shall I seek to transfer you across either ocean to consider the probable effect of any decision at which you may arrive upon the future destinies of China or of Russia. And, in case I should wander away into these fields of rhetoric and of imagination, I sincerely hope that you will recall me to realities, and will not hesitate to direct my attention more particularly to the very important questions under immediate consideration.

In order to sweep away much of the unnecessary preliminary matter which has accumulated, as it seems to me, in the course of these hearings, I shall take three things for granted: —

I shall, in the first place, assume that a large and remunerative business awaits the completion of the Tunnel route. This may be inferred from the notorious fact, that, after mature discussion in years gone by, the Legislature authorized the construction of the tunnel at a cost of some twelve or fourteen millions of dollars. It must be presumed that your predecessors were men of reasonable discretion, and that, before embarking in this costly enterprise, they fully satisfied themselves as to its expediency. Even if they failed to do so, it is now too late to repair their negligence. The tunnel approaches com-

pletion: it remains for us only to develop its utility to the utmost.

I shall, then, further assume, that, in order to accommodate this expected traffic, a united corporation is necessary. This, I fancy, no one will deny who has any familiarity with railroad economy. The day for disunited, squabbling, connecting lines is long past. They can neither fulfil the reasonable demands of modern business development, nor, in competition, can they hope to hold their own against united corporations. This fact is so well settled, that it seems a mere waste of time to prolong its discussion.

Finally, I shall ask you to consider all discussion of details as premature at this stage of our investigations. We have as yet neither reliable statistics nor legal advice; nor can I pretend to have myself bestowed that careful consideration upon the subject, in all its remote bearings, which would alone entitle any opinion I might advance to a moment's consideration. Hereafter, when you shall have upon your table the information called for in the resolve I have read, we may more properly enter upon minutiae. To-day I propose to confine myself to general principles. We are now to consider a policy; its detailed development will follow at another time.

Now, gentlemen, in appearing here to urge upon you the taking of the preliminary steps which are to result in the Commonwealth of Massachusetts "going" (as it is commonly expressed) "into the railroad business," I am fully sensible — the Board of Railroad Commissioners is fully sensible — that a heavy burden of proof rests upon us. We do not in any respect desire to shirk or to reduce it. We propose an innovation, — an innovation upon a long-established and, it was supposed, firmly-settled principle, which lies at the foundation of our industrial and political systems. Could I state the case in broader language, I would do so, to make clearer yet our deep sense of the responsibility under which we act. In proposing this inno-

vation, therefore, we are bound to show, not only that a change of policy might be beneficial, but that some change is necessary ; not only that what we suggest promises good results, but that what exists is producing bad results ; not only that there is a balance of probabilities on the side of the innovation we recommend, but that it could hardly result in a worse condition of affairs than now is, or is obviously impending.

No principle is or should be more firmly established at the base of our American polity, than that our governments should have the least possible connection with industrial enterprises. This great principle, pardon me for adding, has few more ardent or earnest advocates than myself. In my own place, I look upon every breach of it with profound regret. I respect every man who maintains it, even after reason has got the better of my own strong prejudice in its favor. Yet there are occasions, as I think I shall demonstrate to you, when an innovation upon this great principle is necessary, and when, to save it, its wiser friends concede an exception to it. When that occasion arises the innovation cannot be too speedily made, if we would save the principle from the great popular discredit which follows its apparent failure.

The class of occasions in which this innovation is necessary is well and clearly defined in an article in this paper which I hold in my hand. It is the New York "Nation," a paper well known for its ability and for its free-trade proclivities, — a determined opponent of the whole theory and system of paternal meddling and Government interference. The article from which I read is in the issue of 6th February, and is on the subject of the postal telegraph, — a scheme which meets with no favor in that quarter. The principle is here laid down, that the Government ought not to interfere with industrial undertakings ; and the writer then proceeds to say, "There is but one case which warrants such interference, and that is essentially the same for all departments of industry. That case arises

for a republican government when any one branch of the business of the community is so monopolized that citizens can no longer share in or control it, and so mismanaged that they can no longer endure it. When that day comes, either in the shoe trade or the coal trade, in the conduct of a Pennsylvania petroleum combination, or of railroads and telegraphs, Government is warranted, when all other remedies have failed, in prostrating private enterprise by the crushing hand of power, and supplanting private industry as best it may."

I accept this definition as laying down the principle on which we appear before this committee to-day. Accepting it, I at once take the parallel which is usually advanced in these cases. I have myself seen it advanced within the last week in the columns of the daily press, and I have heard that it has been advanced in the discussions held in the Boston Board of Trade on this very subject. That parallel is usually thus expressed: "The Government has no more to do with the railroad business than it has to do with the business of making shoes, or spinning cotton, or baking bread." I accept this parallel, as presented by the opponents of the innovation now proposed; and I proceed to point out where the distinction which has escaped them lies.

What is the principle upon which the cotton-factory, the shoe-factory, and the bake-house are by common consent exempted from all Government interference? — It is simply because those conducting business in them are completely subject to what are known as the laws of supply and demand and of competition. If these persons were to realize from their business an inordinate profit, other persons, without any intervention of Government, would enter into it, and the rate of profit would speedily fall to the average rate of profit in the community. Under these circumstances the exceptional condition of affairs referred to in the article from which I have quoted cannot arise. Where capital and industry are free to flow, no monopoly

can exist. Now, what is the case as regards railroads? You, gentlemen, perfectly well know that wherever combination is possible (it is the shrewd aphorism of old George Stephenson), competition is impossible. The only thing which can enable competition to exist is the presence of competing forces too numerous to combine. Look abroad over this country, and you will see at a glance what competition amounts to so far as railroads are concerned. Take, I pray you, the case of New York and Chicago, two cities a thousand miles apart, between which railroads have been constructed as fast as private capital could construct them. Every gentleman on this committee knows that not a rate is charged between New York and Chicago which is not established by combination. You know that every time the tariff is to be raised or lowered, the freight-agents of the several companies meet in convention, and they decide how much it shall be raised or how much it shall be lowered, and the change agreed upon takes effect upon all the roads on a given day. You know — every man who has looked into this subject knows — that the only competition which exists is between land transportation and water transportation. When water enters into the struggle, — when navigation opens, — then the freight-agents meet, and rates are reduced; when the lakes freeze up, then the freight-agents meet again, and the rates are raised. Whether reduced or raised, however, the change always is the result of combination.

Again, let us look at this question from another point of view. The idea of competition certainly implies the existence of several agents. As regards railroads, however, even the *combination* of competitors is limited to a few localities. Except at competing points, — points, that is, upon which railroads converge, — transportation by rail is a pure, absolute monopoly, affected only by municipal law and considerations of self-interest, and in no degree subject to the influence either of competition or of supply and demand. Now, how large a proportion of all the towns on

our railroads are points of railroad convergence? — In other words, how many of them can look to competition for even a pretence of protection against monopoly? Take, for example, the Boston & Albany road. It runs through a densely-inhabited region filled with manufacturing cities and towns; it is two hundred miles in length; it has eighty stopping-places: but of points of railroad convergence — places at which a possibility of competition exists — it numbers just seven. Take, again, the Central Road of New York: including its Auburn division, it has four hundred and five miles of road in the very garden and central thoroughfare of the continent; on the whole four hundred miles there exist just nine points of convergence. Six hundred miles of railroad with sixteen competing points; and those inhabiting all the other localities may use the Central or the Boston & Albany, as the case may be, or they may stay at home, — whichever they prefer. But is it not something of a mockery to refer this system for its regulation to the principles which control the production of boots and cotton cloth? And if this is so here, in the manufacturing East, it is not hard to imagine what must result in the agricultural West, where the very nature of the leading industry renders it impossible for population to concentrate at points of railroad convergence. In the West, the mass of the people feel themselves helpless; and hence the angry feeling now prevailing against the railroad companies throughout that region.

Nor is the fact that railroad competition is limited to competing points, which necessarily are, and must always remain, so small a proportion of the whole, a merely theoretical or fancied evil. Far from it; our statute-books bristle with futile laws enacted in the vain hope of putting a stop to the practice of charging more for transportation over a less than over a greater distance. In this State of Massachusetts, since I have been a commissioner, a railroad-superintendent has frankly acknowledged to me, that, where freight was shipped and paid for to the end of his

line, if that freight was switched off at a non-competing point but ten miles from where it came on to his line, and a hundred miles short of its paid destination, he always charged the car containing that freight \$20 extra. Twenty dollars for *not* hauling it a hundred miles! And he justified his extortion. He said that his road must live, and that if he had to haul for cost to competing points, he must get double profits out of points which couldn't compete; "or," he added, "if people prefer, I will carry their freights by their doors to the point to which it is paid a hundred miles further on, and then haul it back to them at local rates." In other words, gentlemen, — and this fact will bear some degree of reflection, — *while the result of ordinary competition is to reduce and equalize prices, the result of railroad competition is to produce local inequalities, and to arbitrarily raise and depress prices.** And yet, the working of this system, this necessary and avowed mixture of pure monopoly with systematic combination, is continually compared, by men who profess to think, with the production of boots and cotton cloth!

This argument, however, is but the popular one, — it is one of those shallow formulas which are continually clattered out through the editorials of the daily press and in the discussions of the market-place. No sound thinker

* "At a meeting of Rochester" (a point of railroad convergence) "business men, in the winter of 1871-2, the following facts, among others, were brought to notice, illustrating the evil in question: Goods could be sent from New York to Indiana for twenty-five cents per one hundred pounds, when the freight from Rochester to the same State was one dollar to one dollar and twenty-five cents. One firm had paid one dollar and thirty cents per hundred from Rochester to Hannibal, Mo.; while, at the same time, the same class of freight was shipped from Worcester, Mass., to Hannibal for sixty cents, and from Philadelphia for forty-five cents. In shipping to Minnesota, the same firm had paid at the rate of eighty cents per car-load per mile from Rochester to Buffalo, and from Buffalo to Minnesota at the rate of nineteen cents.

"It is also alleged, in Connecticut, that a car-load of lumber will be brought from the West through a town in central Connecticut, and delivered at New Haven, for fifteen dollars less than the railroad company demands for dropping the car at the first mentioned town." — *Note to article on "The Railroads; Servants or Masters?" in "Old and New," February, 1873, p. 161.*

that I am aware of has ever lent his authority to so transparent a fallacy. Still, it has weight among men, — and among intelligent men at that, — who will repeat and repeat, as though some virtue lay in the very words, — “The government has no more to do with the railroad business than it has with the shoe business.” Therefore let us turn from argument, and see what the authorities say on this subject. Let us go to an opponent of the whole system of government meddling, to an eminent and consistent free-trader, — to John Stuart Mill, the greatest of living economists. Upon this subject, Mr. Mill says, — “There are many cases in which the agency, of whatever nature, by which a service is performed, is certain, from the nature of the case, to be virtually single; in which a practical monopoly, with all the power it confers of taxing the community, cannot be prevented from existing. I have already more than once adverted to the case of the gas and water companies, among which, though perfect freedom is allowed to competition, none really takes place, and practically they are found to be even more irresponsible and unapproachable by individual complaints than the Government. . . . In the case of these particular services, the reasons preponderate in favor of their being performed, like the paving and cleaning of the streets, not certainly by the general government of the state, but by the municipal authorities of the town, and the expense defrayed, as even now it in fact is, by a local rate. But in many analagous causes which it is best to resign to voluntary agency, the community needs some other security for the fit performance of the service than the interest of the managers; and it is the part of government either to subject the business to reasonable conditions for the general advantage, or to retain such power over it that the profits of the monopoly may at least be obtained for the public. This applies to the case of a road, a canal, or a railway. These are always in a great degree practical monopolies; and a government which concedes such monopoly unreservedly to a private company does much the

same thing as if it allowed an individual or an association to levy any tax they chose, for their own benefit, on all the malt produced in the country, or on all the cotton imported into it." *

Now, then, by authority as well as reason, I have sought to show you that railroads are not subject to those laws which are safely relied upon to protect the community against the exactions of cotton-spinners and shoemakers. But there is one more point about this. Let us suppose for a moment that we concede the proposition that the government has no right to "go into the railroad business." If we concede this, however, we must concede it in its full length and breadth. The government must exercise no supervision whatever over railroads any more than it exercises it over cotton-mills or shoe-factories; the railroads must be absolutely free to get all they can in exchange for what it may be their interest to furnish to all who have to

* Principles of Political Economy, Book V., chap. xi., §11.

"Nothing, perhaps, is now clearer, even to the most uncompromising adherents of that school of political economy which would leave most to unfettered personal action, than that competition cannot be depended upon to regulate railroad accommodation, whether in respect to quantity or extent, or in respect to quality, convenience, or price. No proposition has been generally admitted as more distinctly axiomatic in former discussions than that which experience and reason now unite in meeting with this simple negative. Yet if any one to-day should answer, to a complaint that the public in this or that case is inadequately supplied with roads, or ill-served, or over-charged, that the unchangeable laws of demand and supply will correct all that, if only given time and room to operate, the civility or timidity of his hearer is alone likely to save the speaker from the charge of being personally interested in maintaining the existing state of things. In fact, the greatest fallacy is involved in the attempt to apply to such a subject the economical law in question. The circumstances which make competition possible are wanting to the very nature of the case. To give scope to competition, there must be not only large and free demand, but the possibility of supplying, by many persons, from many sources, the very commodity demanded. Such possibility the nature itself of railroad traffic, except it very special cases, excludes. The best route is from necessity already occupied. A new line must be longer, costlier, more difficult; and what men were asking was, to go, and to send their goods, by the shortest, the safest, and the speediest routes, as well as by the cheapest. The shortest, safest, and speediest, is what the old line can alone supply; and the fact that it can also, if it will, supply them cheapest must, except in the rarest cases, deter capital from intrusion." — *Mr. Theodore Barry in "Old and New," February, 1873, p. 155.*

deal with them. This, however, I do not understand that the enemies of state ownership at all admit. On the contrary, they strenuously insist that the government should supervise and regulate the railroads, should limit their profits, should fix maxima to their charges; that it should, in a word, confine itself to an unlimited meddling, and should never own. Then, after all, railroads do not occupy a position similar to that of cotton-mills. What, indeed, would be the consequence to-day should this Legislature assume towards manufacturers the attitude which it assumes, and which the opponents of state ownership call upon it to assume, towards railroads? Suppose you appointed your commissioners, and obliged your cotton-mills to render annual returns of all the details of their business; and then you provided that they should not divide more than so much per cent, or increase or combine their mills; and for a certain class in the community they should manufacture goods at a nominal price: in what would this result? — It would indeed bring your cotton mills into the same category as your railroads; but it would reduce your industrial system to a chaos.

In fact, there is a cant about this whole analogy which I wish with all my heart we could get out of the heads of the community. It has got to come out before we can approach this railroad problem with any hope of a solution of it. It is indeed the opponents of state ownership who are the firm, consistent friends of governmental meddling in industrial enterprises. They insist that the government shall do the work of the railroad managers; and they call it "regulation." They insist that the government shall reduce meddling to a system; and they call it "supervision." They muddle our railroad legislation into a mass of absurdities; and they call that, leaving the railroads alone. We have, I insist, as regards our railroad system, been on a wholly wrong track. We have been trying to regulate it, and all the while say we were not regulating it; we have been trying to meddle, and say we were

not meddling ; we have been trying to manage, and control, and supervise, and all the while we have chattered and canted about competition and the law of supply and demand. It is high time that we began to see things as they are, and to call them by their right names. There is nothing which renders legislation more difficult or more subtly pernicious than this getting hold of a correct principle, and, in a dull, monotonous, parrot-like manner, making a false application of it. As regards railroads, we have been doing this for forty years.

If, then, the fundamental principle which forbids the interference of government with industrial enterprises must in this case be sacrificed, — if a lamentable innovation on it is indeed necessary, — how can this be effected with the least degree of public detriment? That some detriment must result, that some public danger must be incurred, we all agree : how can it be reduced to a *minimum*?

The opponents of state railroad management, or ownership in any form, say, “ It should be effected, as it always has been effected for forty years back, by the passage of statute laws regulating fares, freights, profits, the issue of stock, and all things else. This is the least dangerous way.” Well, gentlemen, let us see ! The passage of a statute-law is the natural remedy to which every American has recourse in presence of any matter calling for reform. It is a species of popular political pill, — a panacea good for all social disorders. As a general rule the remedy is found to rather aggravate the disorder than to remove its cause ; but faith is strong, and the nine failures out of ten trials do not in this case greatly shake it. An act of legislature is still our sovereign specific. As a means of efficiently regulating railroads and transportation by rail, it has, during the last forty years, been tried very persistently in many countries and in all conceivable forms. So far as my investigations have gone, it has uniformly failed. They are still trying it ; in this country alone one Congress and some forty State legislatures turn out more or less statutes every year to the

great benefit of the legal profession, but with results small enough so far as the end in view is concerned. But I do not propose to enter further into this branch of the discussion, because, under a resolve of the last Legislature, the Board of Railroad Commissioners was directed to investigate the whole question of the regulation of fares and freights by law. We did so to the best of our ability, and we believe that we have conclusively shown that it is impracticable. At any rate, whether conclusive or not, the results of our examination are now before you in our last annual report, and to further enlarge upon them would be a mere waste of time.

But if the regulation of railways, which all agree to be necessary, cannot be accomplished by legislation, how can it be accomplished? How has it been accomplished elsewhere? — It has been accomplished by what is known as the state ownership of railways. But what is this state ownership of railways? The general idea, and I think it is the idea which pervades the minds of gentlemen who come up here day after day, is, that the government is to own railroads, and to run them as it does the postal system; that it is to assume every railroad in the country, large or small; that, in a word, it is to go into the railroad business full tilt. In other words, the subject of state ownership of railroads is not at all understood. People talk very learnedly about it, without any knowledge of it.

So far as I know, no government ever has, and I venture the opinion that no government ever will, own all the railroads subject to its jurisdiction. In the first place it is impracticable; in the second place it is both unnecessary and inadvisable. Let me refer to the Belgian system, which is the one most commonly discussed. The essence of the Belgian system is found, not in an exclusive state ownership, but in competition arising from a mixed ownership, part public and part private. The Belgian system, therefore, goes back to first principles; competition plays

a far more important part in that system than in our own. The state railroads and the private railroads work incessantly side by side.* The result is, that the one keeps the other pure, and up or down to the mark, just as you choose to put it. They are now discussing in Belgium the expediency of the State assuming all the railroads. I venture the opinion that if this is done, they will find that they have destroyed that to which hitherto they have owed their success. They will have eliminated that element of competition which it should be their great aim jealously to preserve. *For the very essence of the system of state management lies not in the ownership of all the railroads by the government, but IN THE CONTROL AND REGULATION OF THE WHOLE, THROUGH THE OWNERSHIP AND MANAGEMENT OF A PART.* Upon this fundamental principle I feel that I cannot place too strong an emphasis. In these few words are included the whole theory of state ownership, which I am instructed to urge upon you. And with this statement I come back to my original proposition, and we can now formulate a rule. The admitted general principle is, that the government should have no connection with industrial undertakings. If I have established an exception to that rule, as regards some degree of supervision and

* "The experience obtained in Belgium of the working by the State of at least a portion of the railways existing in that country, is entirely in favor of that system. The lines worked by the State have been the most successful financially, and are also those kept in the best order and the working of which gives the greatest satisfaction to the commercial world and the public in general, as regards regularity of conveyance, cheapness of transit, and the comfort of travellers.

"The State not being solely guided by the prospect of financial gain, but having constantly in view the interest of the public which it represents, is in a better position than private companies to introduce all desirable improvements, not only as regards the efficient performance of the service, but also as respects the cost of conveyance, without, however, altogether disregarding the increase of revenue which its operations may bring into the public treasury.

"The State railways thus find themselves placed in constant comparison with the railways worked by private companies, on the one hand stimulating them to general improvements, and on the other acting as a sort of check against any attempt to realize extravagant profits at the cost of the public."—*Memoranda of C. A. Fasiaux, Director-General of Belgian Posts, Railways, and Telegraphs. Royal Commission on Railways* (1866), *Appendix M.* See also *Evidence, Questions 3058-3181.*

regulation to be exercised in the case of railroads, then, the exception being conceded, we must also add that in this case the least degree of interference shall be exercised which shall be sufficient to secure the desired result. To this part of the discussion I shall hereafter recur.

But the moment it is proposed that the government shall own and operate through its trustees any part of the railroad system, we are met at the threshold with the cry of corruption. Our opponents exclaim, "See what our government bureaus are! You will introduce into our politics a larger element of spoils than we even now have. The State government, instead of owning the railroad, will be but a stepping-stone to the possession of the road." I do not wish to depreciate this danger. The "spoils" system, as it now exists in our politics, is degrading and pernicious enough, and I should be loth to do any thing calculated to increase it. But would this measure increase it? — Let us see.

I do not hesitate to maintain, that, of all the devices for introducing corruption into politics and the government which could emanate from the unconscious ingenuity of the most stupid legislator, not one could be found equal to the existing system of railroad supervision and regulation, — that system so dear to the opponents of state ownership. Upon what does that system depend? — It depends upon this, that one man is to regulate and supervise the affairs and property of another. Is it consistent with ideas of common sense, is it within the bounds of reason, to suppose that the man who owns will not do his best to control the man who regulates? We know perfectly well how rapidly the movement in this direction is now going on. The sway of the railroad-man and the lobbyist is notorious in half the legislatures of the country. And why are they there? They are there because your false system of legislation has effected a separation between the ownership of a thing and its regulation, and he who owns the thing knows he must also own the legislature which regulates the thing.

And just so long as you pursue this false system under correct principles; just so long as you deceive yourselves with the idea that you are not meddling, all the while that you are doing your best to reduce meddling to a system; just so long as you make one man own a thing, and empower another to regulate the value *out* of it,—just so long legislative venality and political corruption will increase. And yet the tendency to aggravate this artificially created conflict of interest,—the disposition to make inevitable this marriage of individual greed with legislative venality, is no less apparent than it is alarming. All over the country,—more elsewhere than in Massachusetts,—we see legislatures year by year, insensibly and as a matter of course, assuming the functions of irresponsible boards of general railroad directors. And by the term irresponsible, I mean not amenable to that caution which is inseparable from ownership. In the State of Illinois this position is avowedly assumed. We believe that it must result, that it cannot but result, in grave public and private disaster; that it will result in abuses and scandals and corruptions, in comparison with which those which have hitherto startled and shocked us will be but as the dust in the balance.

But it would be a mere waste of time to cite examples of what I have been asserting from the recent history of State legislation. They are only too notorious,—not, perhaps, in Massachusetts, but not far from her borders. Let us go at once to high places; let us glance at that national scandal and disgrace which is now uppermost in all minds. Let us see what the principle of supervision and regulation, unaccompanied by ownership, leads to at Washington. Who owns the Pacific Railroad?—It was not built by West-Point engineers: it was indeed paid for out of the national treasury, but not directly; it is not owned by the United States. No! If it was, the road would have been built much better, and for half its cost. As the country has good cause to know, it was built

by an institution known as the Credit Mobilier. The Credit Mobilier owned the property, but Congress reserved a power to supervise and regulate it. What was the result? — Bills were introduced into Congress to regulate the rates of transportation over the line; and to these those who owned it were naturally opposed. What did they do about it? — They did not bribe, oh no! — but they proceeded to “place the stock where it would do most good,” for they “wanted more friends in Congress.” The record shows whether or no they got them. Those who had proposed to regulate charges over the Pacific road did not prosper thereafter in public life. And all this resulted because the Government would not own, and would meddle. They would bring two great principles into conflict, — the principle of ownership in one man, with the duty of control in another; and as it was in this case, so in the long run will it be in all others, time without end. The man who owns will possess himself of the man who regulates.

But let us take a few analogous cases, — cases in which the government owns, and cases in which it supervises. From them let us see where corruption comes in. The subject is rich in analogies; let us take a few of those which most readily suggest themselves. At Washington there is the whole postal system on the one side, and the Union Pacific railway on the other. I will not waste time by more than suggesting the comparison. The Government owned and managed the one, and did not *own*, but *supervised*, the other. Which has been the prolific source of corruption? But let us come nearer home. Not a year passes here in Massachusetts that the Legislature does not authorize some city or town to supply itself with water. Why should our municipalities go into the water business any more than into the bread business? Cannot aqueduct companies be organized as readily as gas companies? — There is your analogy: now work out the result. Our communities supply themselves with water;

private companies supply them with gas. The one is owned by the public, the others are supervised by the Legislature. Are your water-boards always in the lobby? Are they represented in the halls of legislature? — I have never known the time when they were; and I have never known the time when the gas companies were not. Let us take another case. Here is our educational system. Why should the Government enter into the school business? Is it not to many a profession and a source of profit? Why not leave it to competition and the law of supply and demand? Has this violation of our fundamental principle as to governmental interference with business undertakings proved a fruitful source of political corruption? I am not aware that either your committee-rooms or the lobby is thronged by your school-teachers or their attorneys. Why are they not here? — It is simply because you have not sought to divide the ownership of the system from the control of the system. Suppose you treated your schools as you treat your railroads. Suppose that you went out of the school business yourselves, and proceeded to peddle out charters to others, who went into the business to make money. Then suppose you went to work to supervise and to regulate, — providing that every one should be educated, and that working-men's children should be educated at less than cost; that such and such things should be taught, and that so much should be charged for tuition, and so on through all your precedents of railroad legislation. How long would it be before your school-teachers would have a lobby up here which would give the Committee on Education as much to do as this committee has now? Fortunately, the State has long since entered into certain of the few exceptional lines of business which are practical monopolies; and the harmless, innocent, guileless system of supervision and regulation has been chiefly confined to railroads and gas companies.

And now, gentlemen, if I have succeeded in establishing my several positions as I have advanced, I may as well

state a few reasons why it would be eminently expedient, from a practical point of view, for the Commonwealth at this time to assume the whole of the Tunnel line. In the first place, the proper and immediate development of this enterprise will necessitate a heavy expenditure of money. There is no dollar which could be put into that line during the next ten years with any degree of judgment, which will not earn its twelve per cent per annum. Any amount of bonds of a state road, with the guarantee of the Commonwealth upon them, and bearing an interest of six per cent, could be sold at par. Money could in this way be procured at the lowest rate, and without the intervention of a Credit Mobilier. The indorsement of the Commonwealth is good in money markets where private corporations are unknown. If you wish, through the outlay of capital at a low interest, to rapidly develop the traffic of this unformed enterprise, in this way you can do it best.

But there is another and very important consideration in favor of this step. The Legislature year by year has pending before it or before you (if it has not any this year, it is the first time I have ever known them to be wanting) divers propositions looking to the trial of experiments in transportation. Last year you passed a law compelling the running of cheap early and late trains in and out of Boston ; and I well remember that measures were introduced looking to the very cheap transportation of coal. These experiments are always opposed by the railroad corporations, who meet them with arguments not easy to disregard. They insist that the Legislature has no right to hazard their property by making them try experiments for the public good, in which they do not believe, but of which they must bear the cost. There is reason in this objection. If you turn your railroads over to private corporations to make money out of them, it seems to me they have a right to say, " We cannot carry goods or persons at a loss ; and you have no more right to compel us to do so than you have to compel the cotton-factories to turn out certain de-

scriptions of cloth at a fraction of a cent per yard." Yet that is exactly what you did as regards the early and late trains by the law of last winter. You compelled the railroads to transport persons in certain trains at a dead loss. Therefore, I say, if the Legislature wishes to pursue these experiments — (and there is no man in Massachusetts who wishes to see them pursued more than I do: I have been preaching them for years) — they could best and most successfully pursue them at their own cost. If ever the State owns a portion of its railroad lines, then, and not till then, can these most interesting experiments be systematically and fairly tried. You may then test the advantages of cheap passenger-trains, and of cheap coal-trains; and the people will pay the bills. Now the Legislature apportions the benefit to the people, and the bills to the stockholder.

But it is said by certain of the many counsel here present, "If you make this consolidation of the Boston & Lowell with the Fitchburg road, what enormous terminal facilities for the new line will be secured in Boston. No such facilities can be secured in any other way. Here they are, ready to your hand, — passenger depots, freight depots, elevators, wharves on deep water, — every thing, indeed, that is requisite." I agree, sir, that these facilities are very admirable. At the same time I insist that there is one way of getting even better terminal facilities than these. There is one power which can supply this line with grounds more ample than those of the Fitchburg and the Boston & Lowell corporations combined; and that is the Commonwealth of Massachusetts. Let us see. The State Prison is to be moved away from Charlestown: there, then, is the State Prison estate. I do not know why that could not be easily and profitably applied to railroad purposes. But the Commonwealth of Massachusetts is no ordinary private corporation. It can even deal with the United States on terms of equality. Why may it not, then, go to Washington, and say to the National Government, — "We want the Navy Yard for our State railroad." Would her senators and

representatives have great difficulty in securing it? The necessary measure, I fancy, could soon be put upon its passage..

But it is said that the Commonwealth cannot hold or operate roads beyond the limits of the State ; that it is necessary the Tunnel line should stretch out to Ontario, to Detroit, and to Chicago, — yes, to Montana and to Puget Sound ; and this can only be done through the agency of private corporations. These visions, gentlemen, partake perhaps a little of the nature of day-dreams ; but yet, in all sobriety, I would insist that the Commonwealth is in quite as good a position as any private corporation to deal with this class of questions, whenever they shall present themselves. Not that I care to precipitate them to an unadvised solution. After the bitter experience we had three years ago, I would never appear here to forward, by word or deed of mine, the grant of one dollar of the public money to be expended in aid of any private railroad enterprise beyond the limits of the State ; and only on the most extreme compulsion would I advocate it within the State. The Hartford & Erie business, and the Union Pacific experience, if they proved any thing, proved how dangerous and how unadvisable are all these alliances between the State and private companies. It is best — far best — for the State to hold itself wholly aloof ; but if it must intervene, it should, we insist, do so as a sovereign, and not as a partner. Let it take none if it can be avoided ; but if it must take any, let it take all. But beyond the limits of the State, Massachusetts certainly would never plunge into any work of railroad construction which would not return upon its cost its ten per cent per annum. Private capital is always ready to construct whatever promises a return of ten per cent. But if private capital will build, cannot the State authorize trustees to lease and operate ? Why should the State not do for itself in Massachusetts what a private corporation has long done for a railroad company in Pennsylvania ? The Pennsylvania *Railroad* Company does

not own or operate a mile of road beyond the limits of the State which chartered it. But there is a wheel within a wheel: there is a *Pennsylvania Company*, which leases and holds and operates railroads all over the West in trust for the *Pennsylvania Railroad Company*. Why should not Massachusetts, if it be found necessary, do that which has elsewhere been found expedient, and empower its board of trustees to lease and operate roads connecting with its State road, and to hold them to the use of the people of this State, as the other company hold them to the use of the railroads of another State?

But we are met with a new objection to the experiment. After insisting upon it, that the State cannot possibly operate a railroad economically, or so as to compete with private corporations, our opponents, and with equal earnestness, insist that the cheap transportation which would result from State management would ruin the private corporations. In other words, they argue that the cost of transportation must be kept up, that railroads may be remunerative. The argument is slightly suggestive of a confusion of ideas as to whether railroads were made to carry persons and property, or whether persons and property are kept in motion in order to support railroads. It might also be used to recall certain interesting reminiscences of forty years since, when railroads were themselves denounced on account of the injury they involved to such vested interests as turnpikes and stage-coaches. Let these pass, however, and meet the argument on its merits. We have authorized private capital to build our railroads, in order to make money out of them; and now we propose to compete with them, perhaps to reduce their profits. Yes! We do propose to do just this: we want to stop trying to reduce profits by law, and to try henceforth to do it through honest competition. Let us see, in the first place, how what we propose would naturally be expected to operate, and then we will see how it actually has operated elsewhere.

And remember, gentlemen, we propose just so much

public ownership as shall enable the State, through the management of a part, to regulate the whole, without recourse to its legislative power; to this extent our experiment goes, and no further. But how practically would the management of a part serve to regulate the whole? — for this is purely a practical question. If experience showed that the road owned by the State was operated at a greater expense than private roads, and money was lost on it, and taxes incurred through it, is it not natural to suppose that the people of other sections of the State would very decidedly decline to be taxed to make good a loss on a road which did not benefit them? They would say, "Private roads pay, and the public road ought to pay. If it can't be made to pay, then we are not going to be taxed to support it as well as the private roads: it has got to be sold." The railroad corporations are, as every one knows, poor, weak, powerless organizations; yet, with all their weakness and all their impotence, I should not fear to expose them to such a competition as this: they would, I fancy, make very short work of it. On the other hand, if the State road should pay, the people of other sections would be apt to ask, "Why should not private roads pay when operated on similar principles?" If, then, the road lost money and became a burden on the whole State, the people would insist upon the abandonment of the experiment, just as they have done elsewhere and heretofore. If the road paid, the private roads would be forced to adopt its system. The people would say to the private corporations, "You see what the State road is doing. It gives cheaper transportation and better accommodations than you, and yet it pays both interest and dividends; why cannot you do the same? You have always asserted that the Government could not compete with private enterprise. How do you account for the facts? — This won't do! You must adopt a system as liberal to us as that of the State road is to its people, or we will assume your roads too." And the private corporations would speedily experience light. In

the one case the people would refuse to be taxed to make good the losses of the State corporation ; in the other case, they would refuse to pay to keep up the extortions of the private corporations. Either way the phantom of ruin would vanish into air.

But it will be said, "This is all theory — very pretty, no doubt, but pure theory, — and, like most theories, not well calculated for rough use." Very good : so be it ! But we wish our case to be armed on every side ; and so we will now abandon theory, and have recourse to precedent. Here is a little volume of about the size of a Webster's Dictionary unabridged, which has recently been published by order of the English Parliament. I do not propose to read it through to the Committee : I have read it through myself, and I would not visit a similar infliction upon any other man, except as a punishment for crime. As is the case with most legislative documents, its dulness is intolerable. This volume contains a very full report of the evidence submitted to a joint committee of Parliament, to which was referred a year ago the whole subject of the consolidation of railways in Great Britain. To procure official and reliable information, the English Board of Trade sent their assistant secretary, Mr. Malcolm, to the continent to report on the railway systems of other countries. That gentleman submitted the very thorough results of his inquiries to the committee in a document included in this volume, and stamped throughout with that peculiarly unimpassioned, business-like method of statement so characteristic of English official reports. He confines himself to facts, and leaves inferences to others. After giving a sketch of the history of the Belgian railroad system (a small portion of which is reproduced in a popular form in the Railroad Commissioners' report for this year), he concludes with this extract, which reads as if it were written to bear upon this discussion : —

"It is clear that in Belgium competition is most effectually killed ; and yet, at the same time, that the difficult ques-

tions of special contracts, through rates, traffic arrangements, and running powers have been solved ; while the service is performed at rates which are satisfactory, at all events, to the public.

“ That this has been the result of the action of the government, there can, I think, be little doubt, though circumstances in some degree fortuitous have helped to set the government in motion.

“ The State, acting as an independent company, has been able to make bold experiments, and, by the mere force of its example, to coerce the private lines into following its lead ; at the same time, there is at least room for doubt, whether, if it had not been for the pressure of competition from lines running in and out of its own system, the State would have been so active.

“ The measures of the State have been most vehemently criticised on the part of the companies, who have complained that their property was being unjustly depreciated by the lowering of tariffs made without sufficient cause and upon unsound principles, and which, from their position, they were in whole or in part compelled to adopt. . . . The State having this power, having the public purse to back it, being supported by public opinion, and having a dominant position from being owner of the best or nearly all the best lines, had no need of any further power to control the private companies when once it began to act in earnest ; and hence the State, though always acting on a footing of equality in matters of rates, facilities, or purchase, has been able to lead or drive the companies to adopt its principles without putting in force parliamentary powers, or having recourse to any thing but the moral influence of its position. . . . For, in spite of the hostility and criticism of its opponents, the State has been able to carry through its measures, and has made a fair financial success, inasmuch as the present year will probably show a net return of six per cent upon the invested capital.” *

* Report of Joint Select Committee on Railways Amalgamation, Appendix I, p. 794.

That covers every position I have taken to-day ; covers them, not as the theories of a *doctrinaire*, but as the experience of the life of a railroad system. And mark the result, I pray you ! The questions which perplex and agitate this people are settled in Belgium, settled on terms “satisfactory to the public.” And this has been done through competition, and without recourse to that legislative action which has failed so ignominiously in this country and in Great Britain. It even sounds strange to us, living in the midst of those who love to regulate and to supervise, — who annually formulate much profound wisdom into futile statutes, — to learn that, in the country of state ownership, the government interferes in the administration of railways only on questions of safety and police ; and that, further than this, they do not even compel the rendering of an account. They compete with the private railroad corporations, but they do not meddle with their profits or their management. And has this policy resulted in ruin ? — Not to any alarming extent. The net return upon the capital invested in the state roads of Belgium in 1872 is stated at six per cent ; and that on our Massachusetts roads, during the same year, was six and three-tenths per cent. But in Belgium money rules at perhaps four per cent per annum ; and with us, during the last year, it has averaged at least eight. An interest of six per cent in Belgium is somewhat the same as an interest of twelve per cent here. It is not too much to say, that, in 1872, the state railroads of Belgium returned to those who owned them a profit fifty per cent greater, in proportion to the cost of money, than did the private roads of Massachusetts. This does not look like ruin to the private corporations. That talk has stopped in Belgium.

But there is one more argument against state ownership ; an argument which, I see by the papers, was pressed upon your attention yesterday afternoon by an eminent gentleman, with whom it gives me satisfaction to say I have had many pleasant relations, — Mr. James F. Joy of Detroit. He told you that this experiment of state ownership and

management had been tried, and failed repeatedly. He should, however, have gone one step further, and should also have shown you that private ownership had never failed; that we had never heard of railroad manias and panics, and that '57 was only a horrid dream. It is true that the experiments at state ownership attempted thirty years ago, when no one knew any thing about railroad economy, failed; and they had companions in misfortune, for all the railroads in the country failed too. The simple difference was, that the States could afford to throw their railroads over, and did; and the private parties couldn't afford to do so, and had to carry them through. Mr. Joy told you that the Michigan Central railroad, in the hands of the State lost money; but, when a private corporation took it, it paid large dividends. Very likely. The State, during a time of crisis, at the very ebb of the tide, threw away its property; and then the flood came, and swept that road and every other on to fortune. It is notorious that there is hardly a railroad in Illinois—the great railroad State—which has not passed through bankruptcy in private hands. It is not fair to turn back thirty years, to a time when every thing failed, and the whole system, public and private, broke down, and say that then the state railroads broke down. So they did; and the states broke down too. Most of the readers of Sydney Smith have heard something of Pennsylvania bonds. Those who argue in this way should go on and prove to us, that, while the government system broke down, the private system stood up. Unfortunately it failed to do it.

But, leaving these general arguments, upon which I have felt constrained to dwell so long, let me now press upon you certain special considerations in favor of the State now trying this experiment. The Commonwealth already owns a large portion of this line. We do not want to abandon what has cost us millions of money. Neither do the corporations, so ably and numerously represented here, seem fully able to agree as to which of

them shall relieve the State of its heavy burden. Meanwhile the attempt at the regulation of railroads by statute has not proved a success, nor does it meet the approval of railroad-men: they like it no better than state management. Like other eminent gentlemen in our recent history, they "want to be let alone." Well, if they cannot agree as to the disposition to be made of the road the State has built, and cannot operate their own roads so as to meet the popular expectation, is it not reasonable that the people should try at their own cost to see if they cannot themselves do better? A man can at least do what he likes with his own, and buy in open market. Then, if this experiment fails, one more stumbling-block will be taken out of the discussion. It will be proved that the opponents of state ownership were right, and that its advocates were wrong. The property can then be disposed of to private parties, and we can address ourselves anew to some other solution of this difficult problem; for, gentlemen, rest assured that this problem has got to be solved. Do what you will and say what you will, railroads are not subject to the free action of the laws of political economy, and cannot be abandoned to them. Your patchwork legislation already hangs in tatters about the limbs of this giant; and with it you may cover him up, but you cannot bind him. Some other remedy has yet to be devised. That this which we now advocate is the final remedy is more than we dare assert. It has, however, proved an effective remedy elsewhere, and if you now try it, and it fails, it is but one more piece of rubbish swept out of your path.

And now, gentlemen, I have come to a point in this discussion at which I propose to leave the path in which I have hitherto trod. For I believe I have said nothing to-day, — at least, I was so instructed, and have tried to say nothing, which I have not substantiated by our own experience or that of other countries, or else by such a return to first principles and citation of authorities as should entitle

what I have said to at least a respectful consideration I now propose, however, to indulge in a little theorizing of my own.

But, before doing this, I must ask you to bear with me while I briefly review the ground over which we have advanced, and the conclusions I have sought to establish. I think they are not illogical. In the first place; through argument, universal and long-established usage, and general authority, I endeavored to show that the system of transportation by rail was not subject to those fundamental laws upon which what is known as the science of political economy is based; that, indeed, it holds a position as regards the community in no respect the same as that of ordinary industrial pursuits. This position established, and the railroad system put upon the footing of a practical monopoly, it followed that some machinery for its regulation through the agency of Government must be devised. The question between us and our opponents then ceased to be a radical one, and became merely a choice of means: they would have recourse to regulation by statute, and we to regulation through other agencies. Undoubtedly, the method of regulation by statute, or through the exercise of legislative power, was the most obvious. But this, we have attempted to show, both through careful historical investigation and by abstract argument, is at once ineffective, and, in its political aspect, peculiarly corrupting and dangerous. If I did not wholly fail in this attempt, it followed that some new method of regulation must be devised. Looking abroad, that we might tread in a beaten path, I then had recourse to the experience of foreign countries. Our aim was to get back, if in any way we might, to the firm ground of fundamental principles: we looked to set our feet in the tracks of our fathers, in which we could neither stumble nor fall. If our government must regulate, must meddle, how could it do so with the least degree of danger to itself and to the interests involved? Under the happiest auspices, we realized that dangers enough gathered about the path.

The answer was, that the government could with the least degree of danger make itself felt through the artificial establishment of that principle of competition, which, in the matter of transportation by rail, did not naturally exist. This had elsewhere been secured through a mixed ownership, under which public railroads and private railroads were kept in constant opposition. But this implied the fact of state ownership, — a most dangerous political innovation. If, however, such an innovation was necessary, though it was to be entered upon with doubt and reluctance, yet precedents for it were not wanting. They were found in our postal and educational systems, in our hospitals and our water supply. If, then, in this case, the government must intervene, could it not most safely and effectively intervene by going into the railroad business as it had already gone into the postal, the medical, the educational, and the water business? It remained to consider what was the least degree into which it could enter it, and yet secure the end it had in view; for, be it always remembered, we insist that *Government would not be justified in entering into any business simply to make money, but only to protect the public against the control of a monopoly.* Conceding, therefore, for purposes of argument, the principle of mixed ownership, those opposed to us have a fair right to ask of us to define what we mean when we thus speak of a “least possible amount.” They may well say, “You have no right, while discussing such a subject as this, to stand up and talk of ‘least possible amounts.’ Explain yourselves. Give us some idea what is implied in this unknown quantity.”

That I may do this, gentlemen, it is necessary for me to ask you to form some definite conception as to the probable future of the railroad system of Massachusetts. You are sitting here to pass upon a question in regard to which your decision is destined to be productive of very great results for good or evil to the Commonwealth. You have, therefore, no right to report a measure without forecasting the future to the best of your ability. To look far behind

the veil is not given to mortal eyes ; but, so far as we may, we are in duty bound to look before we finally pass upon such a measure as this. For myself, knowing as I do the principles which are controlling the development of railroads, both in this country and in Europe, — as the result of the best study which with my poor ability I can give to this subject, and which certainly has not lacked the quality of assiduity, I am prepared to see great changes in the immediate future. As respects the principle of consolidation, I am ready to go very far. It is a necessity, — a natural law of growth. You may not like it: you will have to reconcile yourselves to it. You may try to check it, and by so doing force it into unnatural shapes, but you cannot stop it. Others, stronger than you, have thought to do so, and their attempts have but resulted in failure, as will be the case with yours should you vainly follow in their steps. The railroad system will grow, — it must grow; and its development must take the form of a larger consolidated ownership. The time for small corporations operating forty or fifty miles of road is past. They cannot control the capital, they cannot command the business capacity, necessary to meet the vast and increasing requirements of the present day. Whether in some respects they are an evil or no, consolidated railroad lines are no less inevitable than necessary; and the immediate question now before you involves in its correct solution some definite ideas as to what effect the course of consolidation is to have on the railroads of this State.

I myself look forward with confidence to the time as not remote when some six corporations will in fact control the railroad system of Massachusetts. France, with twenty-five times our territorial area, is already districted out among an equal number. Our railroads, under the pressure of natural laws, will thus gravitate into families of somewhat the following description: To the North and East, the Boston & Maine and the Eastern, with their connections, will form one family. If they had formed it two

years ago, it would have prevented the wanton throwing away and the wicked waste of millions of money. Next to this, and stretching its arms out to Ontario, Canada, and the whole undeveloped North, will be the Boston & Lowell, — the Great Northern consolidation for which your laws already provide, — a field large enough to fill the ambition of any common man. Then should come the Fitchburg railroad and its connections, binding the State by its all-rail route to the great lakes and the West, and reaching into the coal-fields of Pennsylvania. Further south will be the Boston & Albany family, operating a powerful line already well consolidated and well understood. Beyond that will come the Boston, Providence and New York family, to constitute which the Boston & Providence and the Boston, Hartford & Erie lines must ultimately absorb each other, — though the time is not yet ; and this connection will take to itself the territory of south-western New England, and will stretch across the Hudson to the coal-fields again, and on over the Erie and the Pennsylvania to the West. And finally to the Southeast, now the most firmly consolidated of all, occupying the remaining sections of the State by a responsible tenure which cannot be shaken, and to the great benefit of the people thereof, — in that direction we find the family of the Old Colony.

Unless my foresight wholly fails me, I have now roughly indicated the general outline of our railroad consolidations ; and so far as I am concerned, representing in some degree the Commonwealth in dealing with its railroads, I would much rather have to do with these six families than with an awkward congeries of disconnected, quarrelling fractions of a system, such as now exists. Take any one of these roads, and you could deal with it in a position of equality. It could be held to some degree of responsibility, and upon any abuse connected with its management we might hope to concentrate and direct the force of public opinion. A group of small corporations, on the contrary, is always irresponsible ; and to argue with them is like spending one's

breath in a talk with the north wind. They cannot understand you in the first place ; and in the second, they could not do what you want if they did. They cannot afford to secure the services of those able men who alone can grasp the significance and possibilities of the railroad system ; and they could not carry out their plans if they did. If you want to put brains and money into your railroad system, if you want corporations which you can hold to some degree of responsibility, then you must let development take its natural course, and you must not seek to keep the man swathed in the swaddling clothes of the babe.

But if this is to be the form which the railroad system is to assume, if consolidation is thus inevitably reducing the small number of competing points, why is not your system at last a naked, recognized monopoly ? — The phantom of competition haunts it no more. But it is also a peculiarity of these great consolidations — a peculiarity well understood in Europe — to partake more and more of the character of governmental departments. It is a wilful ignoring of self-evident facts to maintain that these organizations can exist, and every action of the life of the community be bound up with them and their management, and yet they have no relations with the state. In some way, and in the progress of time, the two cannot but assume close relations to each other.

Now, if this is the result to which the railroad-system of Massachusetts is tending, and you would seek to regulate through mixed ownership and competition rather than through legislation and meddling, what is the least possible ownership among six such families as I have described which would enable the State, through the management of a part, to regulate the whole ? — Clearly, we say, it is to own one of these family groups out of the six ; and then mere common sense points out the Tunnel family as the one. Why, gentlemen, see the position which this line occupies, and the controlling power which the possession of it would put into the hands of the State ! Through the Cheshire

road it connects with Canada on the North, competing with the Northern line. It runs parallel with the Boston & Albany, and where that goes it can go. Through the channels of the Delaware & Hudson Canal Company, it reaches into Pennsylvania, and competes with the Hartford & Erie, and with the very colliers which come to us by sea. The trade of Connecticut and New-York city is the only trade it cannot touch, and that is competed for by water. He who holds the Tunnel line, holds, therefore, the key of the railroad system of Massachusetts:—he holds the key, but there is but one holder who would use it.

So much for our external traffic; but this does not cover the case of local traffic. It is, however, impossible that there should be two different systems of local transportation in any community, the one being right and the other wrong. A successful innovation will soon force its way into general use. But to remove an abuse or to explode a false theory, you must demonstrate the existence of your abuse or the falsity of the theory. Here the railroad corporations have us on the hip. We may talk, argue, and discuss; we cannot demonstrate. With the State operating the Tunnel line, there would not be a form of transportation by rail from without or within the Commonwealth, no matter how removed from immediate contact with the State road, which would not feel instantly the effect of any reform in management established upon it. I have shown you that in practice this was found to be the case through the long experience of Belgium; and it would have to be the case here. If, on the contrary, no reforms could be introduced successfully on the State road, then the case of the private corporations would be made out. What the people could not accomplish on their own road, they could not ask or expect to see accomplished on the roads of others.

Here, then, is where we would limit the experiment of state ownership. To go beyond this, and to talk of assuming all the railroads in the State, or even the greater part

of them, would not only expose our political system to a great and unnecessary danger, but it would destroy the very essence of the experiment, the mainspring of its success. We rely on competition to preserve us from red tape on the one side, and corruption on the other; and so we do not want to destroy competition by state ownership, but we want to get back to it through mixed ownership. When we stand upon competition, we feel the solid ground under our feet. That solid ground, so far as Massachusetts is concerned, we believe could be secured through the public ownership and management of the one railroad line which will owe its existence to the State, and which stretches its sinews and feelers throughout the railroad system of the Commonwealth.

In respectful compliance with the request of the Committee, I have now expressed the views of the gentlemen composing the Railroad Commission on the matter before you. We consider this no case for dogmatism or angry discussion. We are too well acquainted with the magnitude and many-sidedness of this railroad problem to profess an implicit faith in any solution of it we may have to propose. Meanwhile I have freely submitted to you, in this public way, my colleagues' and my own contribution to this debate; and, having done so, I will add that, in accordance with the invariable rule of our Board, unless officially called upon by you, we shall in no way seek to further influence the course of legislation.

